

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00
OMB-01 XMB-04 OPIC-06 /103 W
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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 6975

INFO AMCONSUL BELIZE

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS SAN JOSE 1476

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: GSP FIRST YEAR REVIEW

REF: (A) STATE 067507; (B) SAN JOSE 0806

SUMMARY: GSP IS REGARDED AS BENEFICIAL FOR COSTA RICA. OVER FIFTY NON-TRADITIONAL PRODUCTS WERE EXPORTED UNDER GSP IN 1976. CASES OF FAILURE TO UTILIZE GSP FOR ELIGIBLE PRODUCTS ARE ATTRIBUTED TO LOW DUTIES, LACK OF INTEREST IN THE CASE OF INFREQUENT SHIPMENTS, AND IGNORANCE OF SYSTEM. LIBERALIZATION OF FIFTY PER CENT OF TOTAL IMPORTS LIMITATION WOULD IMPRMQE GSP. END SUMMARY.

1. EMBASSY HAS JUST RECEIVED FROM THE DEPARTMENT THE COMPUTER PRINT-OUT

AND MEMO OF MARCH 28 ON GSP IMPORTS FROM COSTA RICA AND SUBMITS

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ITS PRELIMINARY THOUGHTS AS REQUESTED IN REFTTEL A. OUR COMMENTS IN THIS CABLE SUPPLEMENT THOSE IN REFTTEL B AND ARE BASED ON INQUIRIES THE EMBASSY HAS RECEIVED ON GSP AND DISCUSSIONS OVER THE PAST YEAR AND A HALF WITH GOVERNMENT OFFICIALS AND EXPORTERS.

2. GSP IS GENERALLY REGARDED AS HAVING BEEN BENEFICIAL TO COSTA

RICA, BUT NOT, AT THIS STAGE, AS THE SOLE BASIS FOR CREATION OF NEW INDUSTRIES. HOWEVER BOTH GOVERNMENT OFFICIALS AND EXPORTERS TEND TO REGARD IT AS AN IMPORTANT FACTOR TO CONSIDER IN ESTABLISHING NEW INDUSTRIES, OR IN THE CASE OF EXISTING ENTERPRISES, IN PRODUCING NEW PRODUCTS FOR EXPORT.

3. WITH REGARD TO GSP STIMULUS OF NON-TRADITIONAL EXPORTS, THE COMPUTER PRINT-OUT INDICATES THAT 53 GSP ITEMS (VALUED AT APPROXIMATELY A HALF-MILLION DOLLARS) WERE EXPORTED IN 1976 WHICH WERE NOT EXPORTED IN 1975. ALL OF THESE, WITH THE EXCEPTION OF MEAT AND SOME SEMI-PROCESSED WOOD PRODUCTS, APPEAR TO BE NON-TRADITIONAL EXPORT ITEMS.

4. WITH REGARD TO IMPROVEMENT OF THE GSO SYSTEM, GOCR OFFICIALS, EXPORTERS AND THE EMBASSY ALL AGREE THAT SOME LIBERALIZATION OF THE 50 PER CENT OF IMPORTS SECTION OF THE COMPETITIVE NEED CLAUSE IS NEEDED. CHAYOTE, IN WHICH COSTA RICAN EXPORTS WERE ONCE AGAIN EXCLUDED, IS AN OBVIOUS CASE, BUT THERE ARE OTHERS. CENPRO OFFICIALS WERE NON-PLUSSED TO LEARN THAT A SINLBE SHIPMENT OF POWDERED ZINC (TSUS 62642) WOTH \$6,996 CONSTITUTED 61 PER CENT OF U.S. IMPORTS, AND THAT EXPORTS OF \$8,100 OF COMPRESSED WOOD TOOL HANDLES (TSUS 20320) COMPRISED 59 PER CENT OF U.S. IMPORTS. (IN THE LATTER CASE THEY BELIEVE NATURAL WOOD HANDLES MAY HAVE BEEN INCORRECTLY CLASSIFIED AS TSUS 203.20). ALSO THE 50 PER CENT LIMITATION CAN HAVE AN EFFECT ON NEW EXPORT INDUSTRIES. A LOCAL BUSINESS HAS CONSIDERED THE GSP WITH REGARD TO THE FEASIBILITY OF PRODUCING MACADAMIAN NUTS IN COSTA RICA FOR THE U.S. MARKET. PRESENT INDICATIONS ARE THAT THE NUTS WOULD BE CLASSIFIED UNDER TSUS 145.60, OTHER EDIBLE NUTS, AND UNCLASSIFIED

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THERE WOULD ALSO BE PRODUCTION FOR EXPORT FROM GUATEMALA. HOWEVER, APPARENTLY U.S. IMPORTATIONS IN THIS CATEGORY ARE MODEST (APPROXIMATELY \$200,000 PER YEAR) AND PLANNED PRODUCTION WOULD RESULT IN ONE OF THE TWO COUNTRIES EXCEEDING THE 50 PER CENT LIMIT. ONE ALTERNATIVE HE IS CONSIDERING IS EXPORTING UNSHELLED NUTS UNDER TSUS 145.30 WHERE THE DUTY IS 2.5 CENTS PER POUND. THIS, HOWEVER, WOULD DEPRIVE THE PRODUCING COUNTRIES OF THE PROCESSING AND CANNING OPERATIONS.

7. REASONS FOR THE FAILURE TO SECURE GSP TREATMENT FOR SOME ARTICLES ON THE GSP LIST INCLUDE LOW DUTY (ONE CENT A POUND FOR FLOWER SEEDS); NOT WORTH THE TROUBLE TO COMPILE PAPERWORK (PARTICULARLY FOR SMALL, INFREQUENT SHIPMENTS TO U.S.); AND, DESPITE OUR BEST EFFORTS LACK OF AWARENESS OF THE SYSTEM.

8. COMPLETE ANALYSIS OF COSTA RICAN'S GSP PERFORMANCE IN 1976 FOLLOWS BY AIRGRAM. KILDAY

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Disposition Case Number: n/a
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